

## ATVS EXEMPT IF USED PRIMARILY IN AGRICULTURAL PRODUCTION

### Prior Law

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All-terrain vehicles (ATVs) and off-road utility vehicles (ORUVs) are exempt from sales and use tax if they are used directly and primarily in agricultural production. Department rules define “agricultural production,” “directly used,” and “primarily used.” “Agricultural production” means “farming operation undertaken for profit by the raising of crops or livestock, not including clearing or preparation of previously uncultivated land, creation of farm ponds, and erection of machine sheds, confinement facilities, storage bins or other farm buildings.” “Directly used” means the ATV is used to initiate, sustain, or terminate an exempt activity. In determining whether the ATV is directly used, the Department looks at a number of factors including the physical proximity of the ATV to other property that is clearly exempt, the chronological proximity of the use of the ATV to the use of property that is clearly exempt, and the active causal relationship between the use of the ATV and agricultural production. “Primarily used” means the ATV is used in agricultural production more than 50 % of its total time of use.

The requirement that ATVs be used directly in agricultural production has created an issue for farmers, many of whom purchase ATVs to use in their farm operations but do not use the ATV in a manner similar to a tractor, tiller, or combine, which are all machines that are directly used in agricultural production. While the ATV is proven to be useful on a farm, in most situations it is used to carry people and supplies to remote areas of a farmer’s field or to provide transportation from the field for rocks that have been picked up by the farmer and placed on the ATV. Multiple administrative law judges have confirmed that these types of activities, while performed on a farm, do not directly produce agricultural products, and are one step removed from agricultural production.

### New Provisions

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2015 Iowa Acts HF 616 eliminates the “directly” test for ATVs and ORUVs. ATVs and ORUVs now must only be used primarily in agricultural production to be exempt. ATVs and ORUVs are defined as they are in Iowa Code section 321I.1

### Section Amended

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Section 16 of 2015 Iowa Acts House File 616 amends Section 423.3, subsection 8, paragraph d, Code 2015.

**Effective Date** \_\_\_\_\_

July 1, 2015